

<b>STATE OF MONTANA</b> <b>COMPLIANCE SUPPLEMENT FOR AUDITS OF</b> <b>LOCAL GOVERNMENT ENTITIES</b>	REF: C/T-15
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<b>PROGRAM/SUBJECT:     Cities and Towns - Tax Lien Sales, Redemptions, and Tax Deeds</b>	

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## **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:**

### **1.    Compliance Requirements:**

- Whenever property has been struck off to the county at a tax lien sale, is subject to the lien of delinquent special assessments, and has not already been assigned, the city or town may request the county treasurer to make assignment to the city or town. In such a case, the city or town must pay only the delinquent taxes (excluding the special assessments) and costs, without penalty or interest. The city or town must hold this property in trust for the improvement fund into which the delinquent special assessments are payable. (MCA 15-17-317)
- The city or town may, in turn, make assignment of this property to anyone paying the purchase price paid by the city or town, the delinquent assessments, interest on the purchase price and delinquent assessments at the rate of 5/6 of 1% a month, and penalties and costs as provided by law. (**Note:** The amount of the penalty (2%) to be charged is presented at MCA 15-16-102 and "costs" are defined at MCA 15-17-121.) This assignment discharges the trust created when the city or town first received assignment from the county. (MCA 15-17-318)
- The city or town may sell, donate, or lease property acquired under MCA 15-17-317 in the same manner that a county may sell, donate, or lease tax-deed property under Title 7, Chapter 8, Part 23, MCA (See county section of Compliance Supplement - CNTY-15). All proceeds from the sale or lease, after payment of the cost of sale, not to exceed \$25, must be credited to the improvement fund to the extent of the delinquent assessments, interest, and penalties. Any surplus must be paid into the revolving fund that secures payment of the special assessments or, if there is none, to the general fund of the city or town. (MCA 15-17-319)

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## **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:**

### **Suggested Audit Procedures:**

- Through inquiry of city or town personnel and a review of the minutes of council meetings, determine if the city or town has been assigned any tax sale properties from the county. If so, verify that the property in question is held in trust by the city or town for the improvement fund into which the delinquent special assessments are payable.
- If the city or town makes assignment of this property to another purchaser, verify that the purchaser paid the correct amount, which is the purchase price paid by the city or town plus the delinquent assessments, interest on the purchase price and delinquent assessments at the rate of 5/6 of 1% a month, and penalties and costs as provided by law.
- Determine that the proceeds of any sale or lease of assigned property were credited to the improvement fund to the extent of the delinquent assessments, penalty, and interest. Determine that any surplus was paid into the revolving fund, or if the city or town has no such fund, into the general fund.